FOR IMMEDIATE RELEASE February 28, 2013

Contact: Sean Neary/Meaghan Smith (202) 224-4515

BAUCUS SAYS EFFICIENT HEALTH CARE DELIVERY IS KEY TO SAVING MEDICARE AND MEDICAID

Finance Chairman: We have to get more out of every dollar spent on health care

Washington – At a Senate Finance Committee hearing today, Chairman Max Baucus (D-Mont.) stressed the need to promote greater efficiency in health care and increased coordination of patient care in an effort to preserve Medicare and Medicaid. Senator Baucus reviewed the progress being made since the enactment of the Affordable Care Act (ACA) to move Medicare and Medicaid away from wasteful payment systems to save taxpayer dollars.

"There has been a clear slowdown in health care spending, but we need to do more -- and do it faster -- to change the way Medicare and Medicaid pay for health care," Senator Baucus said. "Everyone agrees that the fee for service payment system drives volume, excess and waste. That's why health reform changed the incentives for providers to promote efficiency and cut down on costly readmissions. We're already seeing success, but there's more work to be done. We have to get more out of every dollar spent on health care to save taxpayers money and to save Medicare and Medicaid for the future."

Over a three-year span, health care spending has grown at the lowest rate in the 52-year period since records on health spending have been kept. Medicare and Medicaid are also saving taxpayer dollars. Their combined 2012 spending was five percent less than the nonpartisan Congressional Budget Office projected it would be two years prior. Their long-term outlook is also improving; projections for Medicare and Medicaid spending through this decade have dropped 15 percent since 2010.

Medicare is shifting to a payment system based on the quality of service, rather than quantity. The new system, a part of the ACA, encourages hospitals to deliver top-notch results in a cost-effective manner. Senator Baucus discussed one element of the new payment program instituted in October, which incentivizes hospitals and doctors to cut readmission rates by rewarding success for first-round treatments and reducing preventable adverse events like infections that often result in a second, costly hospital stay.

The committee heard from Jonathan Blum, the acting principal deputy administrator and director of the Centers for Medicare and Medicaid Services, who presented new data showing the programs are already working to reduce Medicare hospital readmission rates by more than a full percent. For the five years with available data, readmission rates had hovered near 19 percent. But the rate fell for the first time last year, to 17.8 percent. Blum said that progress represents 20,000 fewer hospital readmissions per month.

Medicaid is also testing new ways of making its payment structure more efficient. Senator Baucus discussed the new Integrated Care model linking patient outcomes and experiences to payments. Under this system, providers will share in the savings and be held accountable for the losses in the total cost of care.

The ACA also created the Center for Medicare and Medicaid Innovation, often called the Innovation Center, to put the best ideas from the private sector to work preserving the federal programs for the future. The Innovation Center is empowering Accountable Care Organizations made up of groups of doctors, hospitals and providers from around the country to test new methods of coordinating care to produce efficient, high-quality results.

###